

Nommensen Universitas – Medan

Decentralization: Its Implementation in North Sumatera, Social and
Economic

(Desentralisasi: Pelaksanaannya di Sumatera Utara, Sosial dan Ekonomi)

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Mendukung Desentralisasi)

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DECENTRALIZATION: ITS IMPLEMENTATION IN NORTH SUMATERA

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**“STRENGTHENING THE UNIVERSITY CAPACITY TO SUPPORT
DECENTRALIZATION’ WORKSHOP**

**Lembaga Penyelidikan Ekonomi Masyarakat Universitas
Indonesia (LPEM-UI)**

&

**The Center for Institutional Reform and the Informal Sector
(IRIS)**

**JAKARTA
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SOCIAL AND ECONOMIC AFFAIR OF NORTH SUMATERA

Based on Undang-undang Darurat No. 7/1956, Undang-undang Darurat No. 8/1956, Undang-undang Darurat No. 9/1956, Peraturan Pemerintah Pengganti Undang-undang No. 4/1964, Province of North Sumatera consisted of 17

Kabupaten/Kotamadya:

- 1. Kabupaten Tapanuli Tengah.**
- 2. Kabupaten Tapanuli Utara.**
- 3. Kabupaten Tapanuli Selatan.**
- 4. Kabupaten Nias.**
- 5. Kabupaten Langkat.**
- 6. Kabupaten Karo.**
- 7. Kabupaten Deli Serdang.**
- 8. Kabupaten Simalungun.**
- 9. Kabupaten Asahan.**
- 10. Kabupaten Labuhan Batu.**
- 11. Kabupaten Dairi.**
- 12. Kotamadya Medan.**
- 13. Kotamadya Pematang Siantar.**
- 14. Kotamadya Sibolga.**
- 15. Kotamadya Tanjung Balai.**
- 16. Kotamadya Binjai.**
- 17. Kotamadya Tebing Tinggi.**

Based on the demand of the people of Kabupaten Tapanuli Utara and Kabupaten Tapanuli Selatan, in 1999 these two kabupaten were divided to become four kabupaten:

- 1. Kabupaten Tapanuli Utara was broken down into Kabupaten Tapanuli Utara and Kabupaten Toba Samosir.**
- 2. Kabupaten Tapanuli Selatan was broken down into Kabupaten Tapanuli Selatan and Kabupaten Mandailing Natal.**

SOCIAL AND ECONOMY AFFAIR OF NORTH SUMATERA

1. SOCIAL AFFAIR

The anticipation of crisis in economy is conducted in the region with the following targets:

- 1. The availability of nine basic products (sembilan bahan pokok) and medical products with reasonable price to satisfy the need of low income or poor society. This is done through an effective subsidy policy and food diversification in order to reduce the dependent of society on rice.**
- 2. To reactivate production activities especially those society-based, export oriented economy as a base to establish a strong economy foundation.**
- 3. To fully employ economic and natural resources.**
- 4. To fully employ tourism resources as one source of local revenue.**

In coping with the impact of economic crisis, the central government has initiated Social Safety Net program (Program Jaring Pengaman Sosial = Program JPS) in four prioritized, critical, main targets:

- 1. The improvement of food safety.**
- 2. The creation of productive work filed.**
- 3. The development of small and middle enterprise.**
- 4. The establishment of social protection in basic services especially in health and education issues.**

The allocation of JPS fund in 1999/2000 in The Province of North Sumatera is divided into 5 programs:

- 1. Food safety.**
- 2. Education.**
- 3. Health.**
- 4. Productive work field.**
- 5. Society empowerment.**

ALLOCATION OF JPS FUND IN NORTH SUMATERA 1999/2000

JPS PROGRAM CATEGORY	AMOUNT OF FUND (Rp. Million)
1 FOOD SAFETY:	3,740
a. Special Market Operation – Rice	
b. “Buras” Chicken development.	
2 EDUCATION:	
a. Scholarship and DBO Dikdasmen.	83,698
b. Scholarship and DBO Dikti.	8,288
c. BOP SD/MI.	30,761
3 HEALTH:	
a. Healthcare at Puskesmas.	38,360
b. Revitalization of SKPG.	982
c. Hospital operational and Treatment.	4,630
d. Hospital health services.	3,173
e. JPS in social sector.	4,996
f. PMT-AS	17,708
4 PRODUCTIVE WORK FIELD:	32,250
a. Labor Intensive – PU Cipta Karya.	
b. Special initiative for woman unemployment.	
5 SOCIETY EMPOWERMENT:	52,990
Pemberdayaan Daerah Dalam Mengatasi Dampak Krisis Ekonomi (PDM-DKE)	
TOTAL	281,567

Source: Bappedasu.

ECONOMIC AFFAIR

GROSS REGIONAL DOMESTIC PRODUCT (PDRB)

PDRB (Produk Domestik Regional Brut = Gross Regional Domestic Product) growth of North Sumatera in 1999, at 1993 constant price, generally increased by 1.51% compared with PDRB at previous year that had negative growth of -11.76%.

EXPORT AND IMPORT

Total Value of North Sumatera Export to Five Countries 1999

COUNTRIES OF DESTINATION	TOTAL VALUE (US\$. 000)	TOTAL VOLUME (Ton)
1. USA	329,673.00	388,002.00
2. Japan	325,561.00	366,279.00
3. The Netherlands	264,769.00	822,643.00
4. India	244,752.00	618,899.00
5. Singapore	143,331.00	190,762.00
	1,308,086.00	2,386,585.00

TOTAL VALUE OF NORTH SUMATERA IMPORT 1999

	VALUE	SHARE (%)	VOLUME	SHARE (%)
Machines	89,972.00	13.76	25,047.00	1.10
Chemistry	176,279.00	26.97	938,610.00	41.15
Basic metal	29,442.00	4.50	120,475.00	5.28
Plastic	12,579.00	1.92	24,952.00	1.09
Auto part	196.00	0.03	319.00	0.01
Paper	11,197.00	1.71	8,991.00	0.39
Metal (WIP)	25,847.00	3.95	76,943.00	3.37
Bean	98,061.00	15.00	387,716.00	17.00
Kapas	137.00	0.02	6.00	0.00
Ship & machine	1,849.00	0.28	3,537.00	0.16
Pharmaceutical	10,608.00	1.62	3,549.00	0.16
Automotive	1,392.00	0.21	53.00	0.00
Rayon	7,038.00	1.08	1,917.00	0.08
Traktor and truck	3,246.00	0.50	2,189.00	0.10
Aluminum	7,487.00	1.15	5,468.00	0.24
Aircraft & machine	3,235.00	0.49	2,256.00	0.10
Electrical	1,671.00	0.26	15,511.00	0.68
Others	173,453.00	26.53	663,181.00	29.08
	653,689.00	100.00	2,280,720.00	100.00

NORTH SUMATERA GOVERNMENT: SITUATION AND CONDITION

Regional Development Reformation Policy

The North Sumatera development is formulated in a policy called Regional Development Reformation Policy (*Kebijakan Reformasi Pembangunan Daerah*). The development reformation policy of North Sumatera is to cope with the crisis which will be initiated in all field: economy, politics, law, religion, and socio-cultural. In accordance with the policy, the development priority scale of the province is *agriculture, industry, and tourism*.

ECONOMY

The target of the anticipation of the economic crisis in North Sumatera is:

1. The availability of nine basic products and medical products.
2. The revitalization of local economy, which is society economic, oriented.
3. The utilization of natural resources efficiently and effectively.

All of them are to be realized by considering environment conservation. In reaching those targets, the Government of North Sumatera has the following policies:

1. To put in highest priority the use of land for people agriculture and to empower small agriculture business.
2. To push the empowerment of people economy in villages by making available high quality seeds for food crops and export products with reasonable price.
3. To create conducive and competitive business environment improving the role of, and by prioritizing the development of, small and medium businesses and cooperatives.
4. To improve transparency in government agency in managing business and government fund allocation.
5. To reestablish feasible production activities especially people economy basis and export oriented businesses.
6. To simplify distribution channel of basic products and to maintain its availability with reasonable price. Especially for the poor, this target is prioritized through a subsidy program including JPS program.

- 7. To initiate real activities to push and improve food production and food product diversification through the release of agriculture business credit (*Kredit Usaha Tani* = *KUT*), counseling, and marketing programs.**
- 8. To employ economic potential and natural resources especially maritime resources including its protection in order to increase export; as well as tourism potential as a source of local revenue.**
- 9. To develop small industry and household industry in order to increase work field and business opportunity and also to increase export by developing business capability of cooperatives and partnership with BUMN and other big industries.**
- 10. To improve capability and role of cooperatives and private companies in industry development mainly agro-industry by the development of facilities, maintenance of conducive environment, and initiation of education and training for low-economy group and cooperatives.**
- 11. To eliminate monopoly and bribery practices.**
- 12. To improve the openness of the government in managing fund and resources.**

13. To control prices by maintaining the supply of nine basic products and medical products as well as agriculture production facilities.
14. To increase the number of labor-intensive work field, the use of such non-traded goods as education, counseling, and health for lowest level society.
15. To motivate private companies and BUMN to participate in developing and educate small and medium business and cooperatives.
16. To push the developments of healthy local level financial institution such as BPR, BMT, and credit union.
17. To revitalize financial institutions such as banking, cooperatives, credit union, and capital market.
18. To deregulate or to adapt regional regulation (*Perda*) that is not conducive for investment, production, distribution, and trade.
19. To fight for the implementation of regional autonomy in the widest manner through the regulation of the division and use of resources and financial.

POLITICAL

The following are the policies to be implemented in political field:

- 1. To socialize Ketetapan Sidang Istimewa MPR-RI 1998, UU Kemerdekaan Mengemukakan Pendapat, and UU Politik that support democracy process.**
- 2. To vitalize people power by empowering control role of government institution, and political and societal institutions.**
- 3. To acknowledge diversity in principles, characteristics, aspiration, and program of political and societal organizations that are suitable to Pancasila and regulations.**
- 4. To implement the division of authority and responsibility between legislative, executive, and judicative at local level.**
- 5. To adapt the degree of dwi fungsi ABRI with the new paradigm of the role of ABRI.**
- 6. To improve communication among government, religion leaders, political leaders, the youth and students, and NGO (LSM).**

LEGAL

During the 32 years of New Order administration, legal development especially regulations regarding limitation of the power of the president has not shown favorable results. This condition gives rooms for corruption, collusion, and nepotism activities. There is much power abuse and legal harassment practices as well as lack of legal protection for people.

National Legislative Program (*Program Legislatif Nasional = Prolegnas*) has not been in full effect in accommodating people aspiration. This program tends to support only the need of economy and political elite.

The following are policies in legal field:

1. To socialize legal political culture that tends to implement justice and equality.
2. To socialize and implement Undang-undang Pemilu, Undang-undang Politik, and Undang-undang Kemerdekaan Mengemukakan Pendapat.
3. To clearly divide role and authority of law enforcers.

THE CONSEQUENCES OF THE DECENTRALIZATION

The following are problems faced by North Sumatera Government in implementing decentralization:

- 1. The lack of understanding by local government officers about decentralization: what to decentralized and how.**
- 2. The insufficiency of decentralization law to satisfy local government wants: the distribution of revenue between central and local governments.**
- 3. The unequal distribution of skilled human resources between cities and villages.**
- 4. The difference in human and natural resources between Dati-II.**

SWOT ANALYSIS

KEY SUCCESS FACTORS:

- 1.The availability of human resources both quantitatively and qualitatively.**
- 2.The availability of natural resources both quantitatively and qualitatively.**
- 3.The conducive environment for doing business.**
- 4.The stable political situation.**
- 5. The stable economic condition.**
- 6. The proper and intensive law enforcement.**

SWOT (STRENGTHS, WEAKNESSES, OPPORTUNITIES, AND THREATS):

STRENGTHS:

- 1.The great demand by the government and the people for decentralization.**
- 2.The abundant idle natural resources.**

WEAKNESSES:

- 1.The lack of skilled human resources in Dati-II.**
- 2.The resistance to change from some government officers.**
- 3.The increasing crime rate.**
- 4.The demand for new Dati-II by some people and government officer.**
- 5.The problematic local government election.**
- 6.The lack of research and development.**

OPPORTUNITIES:

- 1. The greater authority to manage human and natural resources.**
- 2. The approaching globalization era (e.g. AFTA).**

THREATS:

- 1. The continuing economy crisis.**
- 2. The unstable political climate.**
- 3. The decreasing foreign investment.**
- 4. The seriousness and the willingness of central government to delegate authority to local governments.**
- 5. The insufficient law enforcement.**

STRATEGY FOR THE IMPLEMENTATION OF DECENTRALIZATION

A. SHORT TERM (1 TO 3 YEARS)

- 1. Socialization of UU no.22/1999 and UU no.25/1999 to government institution employees at all levels.**
- 2. Socialization of UU no.22/1999 and UU no.25/1999 to political parties, NGOs, and informal leaders.**
- 3. Socialization of UU no.22/1999 and UU no.25/1999 to business people, society members, and university students.**
- 4. Maintenance of good relationship between local government and regional universities.**
- 5. Identification of revenue sources that might be managed by local government.**
- 6. Setting of programs to educate and train all society members in order to improve their ability to take advantage of decentralization.**
- 7. To include decentralization laws and all of their regulation in the curriculum of all social sciences department in Universities.**

B. MEDIUM TERM (3 TO 5 YEARS)

- 1. Preparation of government institution employees to increase their understanding and the implementation of decentralization.**
- 2. Reorganization and restructuring of local government management to be suitable to the implementation of decentralization.**
- 3. Distribution of government institution officers among all administration points in the region.**
- 4. Change of salary and echelon system in order to motivate government institution employees to work in remote places.**
- 5. Setting of formula for fiscal decentralization to be proposed to central government.**
- 6. Setting of programs to improve productivity of human and natural resources.**
- 7. Initiation of trade partnerships with foreign countries.**

C. LONG TERM (5 TO 10 YEARS)

- 1. Conducting intensive research to find any idle natural resources in the region.**
- 2. Exploration and exploitation of various idle natural resources.**